

Message Text

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PAGE 01 LAGOS 02655 01 OF 02 030741 Z

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ACTION AF-18

INFO OCT-01 ADP-00 AID-20 EB-11 NSC-10 RSC-01 CIEP-02

TRSE-00 SS-14 STR-08 OMB-01 CEA-02 CIAE-00 COME-00

FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06 SIL-01

SAL-01 L-03 H-02 PA-03 PRS-01 USIA-12 RSR-01 GAC-01

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R 030615 Z APR 73

FM AMEMBASSY LAGOS

TO SECSTATE WASHDC 8986

LIMITED OFFICIAL USE SECTION 1 OF 2 LAGOS 2655

E. O. 11652: N/A

TAGS: EFIN, NI

SUBJECT: BUDGET

1. BEGIN SUMMARY: GENERAL GOWON'S BUDGET MESSAGE OF APRIL 1 NOTABLE FOR ITS CALM, CONFIDENT RECITAL OF CONTINUING PROGRESS TOWARD MEETING NIGERIS' S DEVELOPMENT GOALS. CHIEF OF STATE FOUND MOST MAJOR ECONOMIC AND FINANCIAL INDICATORS POINTED IN AN UPWARD DIRECTION AND STRESSED THAT FMG HAS PLANS AND RESOURCES TO MAINTAIN THIS MOMENTUM. ONLY MAJOR DARK SPOT IS AGRICULTURAL PRODUCTION AND FMG IS PREPARING A THOROUGH OVERHAUL OF MARKETING BOARD SYSTEM FOR MAJOR EXPORT CROPS, WITH PRINCIPAL GOAL OF PROVIDING GREATER INCENTIVES FOR FARMERS. CHIEF OF STATE REITERATED NIGERIA'S WELCOME TO FOREIGN INVESTORS AND SPELLED OUT FURTHER MEASURES, MAINLY IN AREA OF PROFIT AND CAPITAL EXPATRIATION, TO ENCOURAGE MORE INVESTMENT IN NIGERIA. MOST OF THE EMPHASIS ON INDIGENIZATION WAS POINTED TOWARD POSITIVE PROGRAMS DESIGNED TO HELP NIGERIANS FINANCE AND OPERATE NEW BUSINESSES. BOTH REVENUES AND EXPENDITURES WILL INCREASE SIGNIFICANTLY DURING NEXT YEAR. REVE-
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PAGE 02 LAGOS 02655 01 OF 02 030741 Z

NUE PIE IS GETTING LARGER AND ALL MAJOR REGIONS AND GROUPS WILL GET A LARGER SLICE NEXT YEAR. END SUMMARY.

2. TOTAL FEDERAL REVENUE FOR FY 1973-74 EXTIMATED AT 1.41 BILLION NAIRA (2.14 BILLION DOLLARS), AN INCREASE OF OVER TEN PERCENT FROM LAST YEAR. ORDINARY BUDGET SHOWS A SURPLUS OF 282 MILLION NAIRA (423 MILLION DOLLARS), WHICH WILL BE USED TO HELP FINANCE DEVELOPMENT PROGRAM. CAPITAL BUDGET WILL INCREASE FROM 468 MILLION NAIRA (702 MILLION DOLLARS) IN FY 1972-73 TO 610 MILLION NAIRA (915 MILLION DOLLARS) IN CURRENT FISCAL YEAR. GOVERNMENT ANTICIPATES NO DIFFICULTY IN FINANCING THESE EXPENDITURES, GIVEN LARGE SURPLUS ON ORDINARY ACTUAL AND GOOD DOMESTIC AND FOREIGN BORROWING POSSIBILITIES.

3. LAND TRANSPORT REMAINS PRINCIPAL BENEFICIARY OF EXPANDING REVENUES BUT THE STATE GOVERNMENTS ARE TREATED MORE GENEROUSLY THIS YEAR BECAUSE " THE FEDERAL GOVERNMENT IS CONCERNED ABOUT THE FINANCIAL POSITION OF PRACTICALLY ALL OF THE STATE GOVERNMENTS." 34 MILLION NAIRA WILL GO TO THE STATES TO COMPENSATE FOR THE LOSS OF EXPORT DUTIES ON AGRICULTURAL PRODUCTS. THERE WILL ALSO BE SPECIAL GRANTS OF SOME 36 MILLION NAIRA FOR RURAL AND URBAN WATER SUPPLY PROJECTS AND FOR ESTABLISHMENT OF LOAN SCHEMES FOR ECONOMIC DEVELOPMENT PROJECTS. THESE AMOUNTS ARE IN ADDITION TO THE 308 MILLION NAIRA ALLOCATED TO STATE GOVERNMENTS UNDER STATUTORY PROVISIONS.

4. IN REVIEWING THE STATE OF THE ECONOMY GENERAL GOWON ONCE AGAIN FOCUSSED ON INFLATION, WHICH WAS A CENTRAL THEME OF THE BUDGET MESSAGE A YEAR AGO. HE FOUND THAT RISING PRICES ARE STILL A PROBLEM, BUT ARE NOW LESS MENACING. IMPORT LIBERALIZATION AND SOUND FISCAL AND MONETARY POLICIES HAVE HELPED TO CURB INFLATION. WHILE GENERAL GOWON FORTHRIGHTLY DEFENDED DEVALUATION OF THE NAIRA, HE ADMITTED THAT THIS ACTION HAD INFLATIONARY IMPLICATIONS. TO COMBAT THEM THERE WOULD BE NO GENERAL TRAFFIC INCREASES, ALTHOUGH A FEW DUTIES WOULD GO UP TO HELP INDUSTRIES IN DIFFICULTY SUCH AS TIRE MANUFACTURING AND TEXTILES. IN ADDITION TO THE HEALTHY BUDGETARY SURPLUS, GENERAL GOWON NOTED THAT THE BALANCE OF LIMITED OFFICIAL USE

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PAGE 03 LAGOS 02655 01 OF 02 030741 Z

PAYMENTS IS NOW IN SURPLUS AND FOREIGN EXCHANGE RESERVES

ARE INCREASING. THESE PERMIT THE ABOLITION OF THE 180-DAY DEFERRED PAYMENTS SYSTEM (NOT CLEAR WHETHER ENTIRE DEFERRED PAYMENT SYSTEM BEING ABOLISHED OR WHETHER 90- DAY DEFERRALS WILL REMAIN).

5. IN THE BANKING FIELD GOWON NOTED THAT THE FMG HAD ATTAINED PARTICIPATION IN THREE MAJOR EXPATRIATE BANKS AND WAS EXPLORING WAYS OF STRENGTHENING STATE- OWNED INDIGENOUS COMMERCIAL BANKS. HE PREDICTED THAT THE FEDERAL BANK FOR COMMERCE AND INDUSTRIES (DESIGNED TO FUND THE INDIGENIZATION PROGRAM) WILL BE IN OPERATION BY OCTOBER 1973. A SMALL INDUSTRIES FINANCE COMPANY WILL ALSO SOON BE ESTABLISHED TO FINANCE SMALL ENTERPRISES AND GUARANTEE COMMERCIAL BANK LOANS TO SMALL ENTREPRENEURS. IN RESPONSE TO FLOATING EXCHANGE RATES AND TO REFLECT NIGERIA' S IMPORT PATTERNS, THE CENTRAL BANK WILL DIVERSIFY ITS RESERVE CURRENCY HOLDINGS.

6. THE MESSAGE DID NOT STRESS THE THEME OF INDIGENIZATION BUT RATHER PROPOSED MEASURES TO INCREASE BOTH FOREIGN AND INDIGENOUS INVESTMENT. GOWON ASSURED FOREIGN INVESTORS OF " CONTINUED GENEROUS TREATMENT" AND STRESSED THAT INCREASED FOREIGN INVESTMENT WAS WELCOME IN " AREAS WHERE NIGERIA CANNOT GO IT ALONE." REPATRIATION OF 100 PERCENT OF ALL PREVIOUSLY BLOCKED 1971 DIVIDENDS AND UP TO 25 PERCENT OF 1972 DIVIDENDS IS TO BE AUTHORIZED. GUIDELINES WILL ALSO SOON BE ANNOUNCED FOR REPATRIATION OF CAPITAL ARISING FROM THE SALE OF FOREIGN- OWNED FIRMS TO NIGERIANS AS A RESULT OF THE INDIGENIZATION DECREE.

7. TO BOOST THE AGRICULTURAL SECTOR, FEDERAL EXPORT DUTIES ON AGRICULTURAL PRODUCE WILL BE ABOLISHED. THE FMG WILL FIX PRODUCER PRICES ON A COUNTRY- WIDE BASIS AND WILL COMPENSATE ANY STATES FOR ANY LOSSES IN REVENUES OF STATE MARKETING BOARDS. MARKETING BOARDS WILL CONTINUE TO HANDLE THE PURCHASE OF EXPORT COMMODITIES, BUT STATES WILL BE PERMITTED TO TAX AGRICULTURAL EXPORT COMMODITIES AT A MIXIMUM RATE OF BUT 10 PERCENT.

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PAGE 01 LAGOS 02655 02 OF 02 030745 Z

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R 030615 Z APR 73

FM AMEMBASSY LAGOS

TO SECSTATE WASHDC 8987

LIMITED OFFICIAL USE SECTION 2 OF 2 LAGOS 2655

8. GOWON UNDERLINED THE IMPORTANCE OF THE PETROLEUM INDUSTRY BY PREDICTING THAT BY THE END OF THE YEAR 75 PERCENT OF GOVERNMENT REVENUE WILL DERIVE FROM OIL WITH CRUDE OUTPUT REACHING 2.3 MILLION BARRELS PER DAY. A PROGRAM FOR DEVELOPMENT OF LNG WILL BE ANNOUNCED " IN THE COURSE OF THIS FISCAL YEAR." GOWON NOTED THAT " VERY GOOD PROGRESS" HAS BEEN MADE TOWARD GOVERNMENT PARTICIPTION IN OIL COMPANIES. HE ALSO NOTED THAT THE NATIONAL MINING CORPORATION WILL UNDERTAKE INCREASED MINERAL EXPLORATION ACTIVITIES TO EVALUATE RESERVES OF PHOSPHATE, LEAD, TIN, ZINC, MANGANESE, AND ASBESTOS.

9. ONCE AGAIN FOREIGN POLICY STATEMENTS IN BUDGET MESSAGE WERE CONFINED TO REITERATION OF NIGERIA' S DEDICATION TO PRINCIPLES OF UN AND FURTHERANCE OF AFRICAN UNITY. ECHOING A MAIN THEME OF NIGERIA' S FOREIGN POLICY, GENERAL GOWON SAID THAT FMG WOULD ENCOURAGE ARRANGEMENTS TO FACILITATE REGIONAL ECONOMIC COOPERATION IN WEST AFRICA. HE WAS PLEASED TO FIND THAT " THERE IS NO LONGER AN IRRECONCILABLE CONTROVERSY ON NEED FOR A WEST AFRICAN ECONOMIC GROUPING."

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PAGE 02 LAGOS 02655 02 OF 02 030745 Z

10. MESSAGE ALSO REAFFIRMED FMG' S INTENTION TO COMMENCE NATIONAL YOUTH SERVICE CORPS THIS YEAR. JUNE 1973 UNIVERSITY GRADUATES WILL BE INITIAL PARTICIPANTS.

1. SPECIFIC OPPORTUNITIES FOR US SALES MAY EMERGE FROM SOME HIGH PRIORITY PROJECTS ADVANCED OR ENDORSED IN GOWON' S MESSAGE. US BANKS MAY HAVE AN OPPORTUNITY TO OBTAIN MANAGEMENT CONTRACTS TO ASSIST IN UPGRADING THE QUALITY OF INDIGENOUS BANKING. THERE IS TO BE

A SECOND ANTENNA FOR NIGERIA' S PRESENT AMERICAN- BUILT
TELECOMMUNICATIONS EARTH STATION, PRESENTING A FURTHER
OPPORTUNITY TO US COMMUNICATIONS FIRMS. GOWON REIT-
ERATED PLANS TO UPGRADE AIRPORTS IN ALL STATE CAPITALS
TO PROVIDE FACILITIES ADEQUATE FOR LARGE JET AIRCRAFT.
ALTHOUGH PREQUALIFICATION DEADLINES FOR PRIME AIRPORT CONTRAC-
TORS HAS ALREADY PASSED, US FIRMS MAY STILL FIND OP-
PORTUNITIES TO PARTICIPATE AS SUB- CONTRACTORS ON THESE
PROJECTS.
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